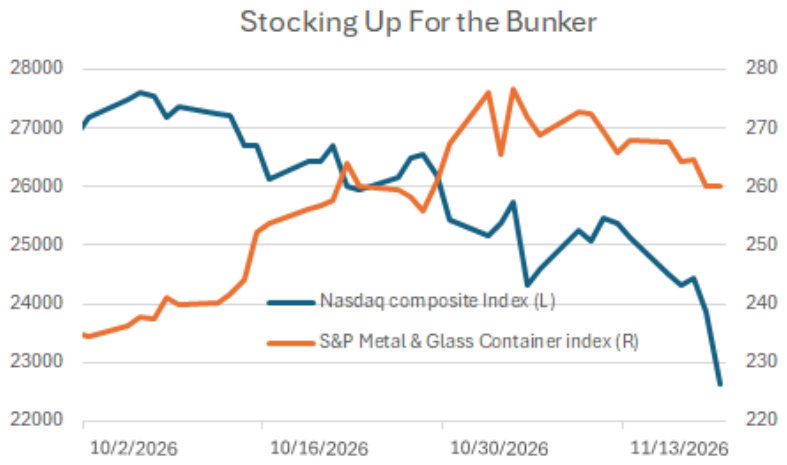
Weekly Economic Update — November 23rd, 2026

GPA GOVERNMENT PORTFOLIO ADVISORS

It's been quite a week in the financial markets, as the S&P 500 fell for seven consecutive days, the longest losing streak since February 2000, a year before Anthropic was founded. Speaking of which, the company grabbed headlines with its much-anticipated IPO this week, which made billions of dollars for its founders, but left investors in the secondary market with empty wallets when the initial price spurt following the offering almost completely vanished by the end of the week. At the close of trading on Friday, the company's price stood at $87, only a tad above its $83 initial offering price but down from the $115 high reached on the first day of trading.

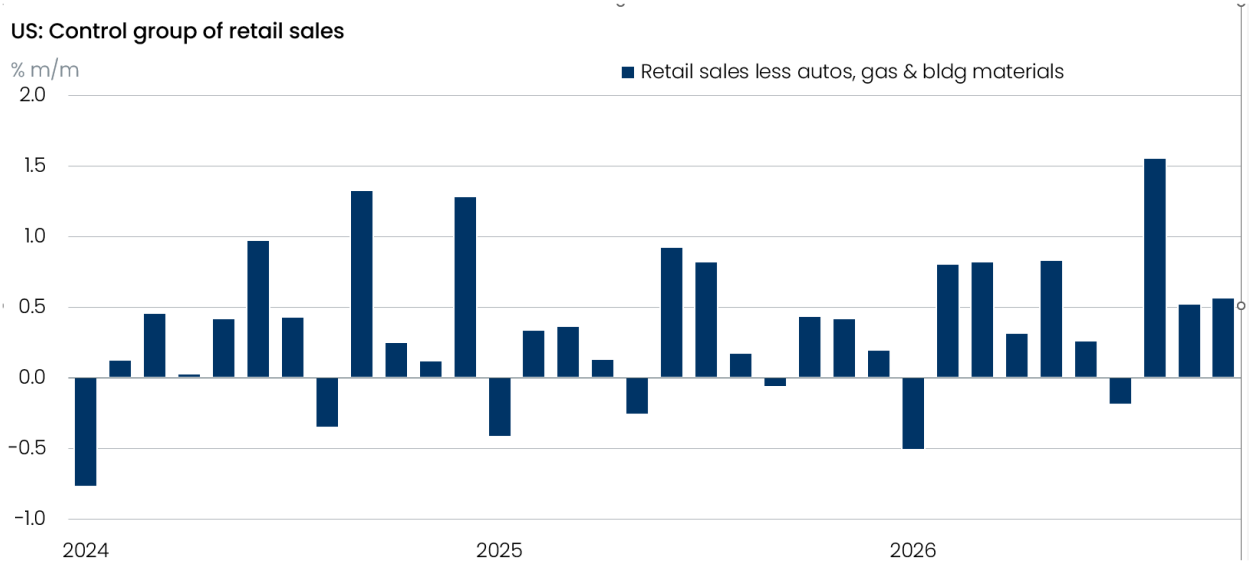
The see-saw swing in Anthropic was overshadowed by and no doubt shared a common cause with the tech rout that dragged down the overall stock market this week. Time will tell if this is merely a hiccup in the long tech-inspired rally that, prior to the current slump, led to a 10 percent gain in the S&P 500 this year. A lot is riding on whether the AI-linked companies will generate the promised returns that justify their lofty market valuations. While earnings prospects are clearly the major focus of investors, it is hard to ignore the widespread outages that garnered headlines in recent weeks, which might well be contributing to the AI backlash spreading across the nation. Unsurprisingly, the outages are fueling conspiracy theories (coordinated cyberattacks, among others), which we view as highly unlikely but are nonetheless prompting people to head for the bunkers, stocking up on canned food and the like to prepare for the apocalypse. We note, without deep analysis, the starkly opposite price movement in tech stocks versus an index that captures large glass and container companies over the past few weeks.



From a broader perspective, the market slump this week is also a stark reminder that what the market giveth to the economy, it can also taketh away. We are referring to the so-called wealth effect that has played a major role supporting consumer spending. Household equity portfolios received a big boost from the yearslong stock market rally, and a significant portion of that

appreciation found its way into the spending stream. For sure, the above-trend 3.8 percent annual growth rate in real personal consumption in the third quarter, more than 50% above the average 10-year pre-Covid expansion pace, cannot be explained by wages and salaries, which actually fell in inflation-adjusted terms. Instead, the strong tailwind from the equity markets took up the slack, encouraging affluent households, who are the biggest stockholders, to draw down savings to support spending.

By all accounts, the spending momentum continued into the fourth quarter, as evidenced by the strong retail sales report for October. Overall retail sales slowed from previous months, dragged down in good part by a slump in furniture sales linked to the housing market doldrums. But expectations were for an even greater slowdown because of the income bite from higher gasoline prices. That didn't happen and, more importantly, the group of sales – the so-called control group – that feeds directly into the personal consumption category of the GDP accounts, staged another solid monthly gain. Control group sales rose by 0.6 percent, which is equal to the average monthly increase in the third quarter and followed upward revisions to both August and September. Industry sources expect a cheerful holiday sales season that began this month; but should the market setback underway continue for several more weeks, that assessment may turn out to be overly optimistic.

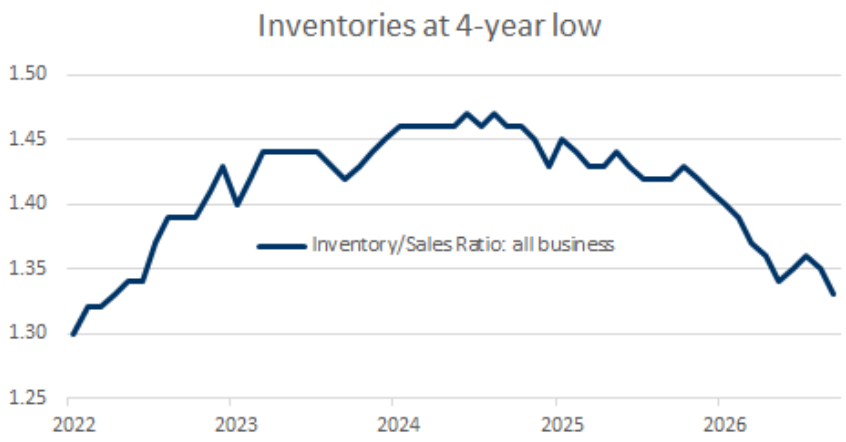


That said, the setback in the tech sector would only have severe consequences for the real economy if it is accompanied by a pullback in the AI buildout. That is not likely to happen, at least over the near term. The growing backlash against data center construction may well slow expansion plans but there is plenty of spending in the pipeline for the equipment, software and workers needed to finish and run the structures already in place. The AI boom has accounted for almost half of the GDP increase this year, and that outsized contribution will remain intact through most of 2027. Some of the heat behind the spending may be defused by the higher cost of borrowing as the Fed is set to raise interest rates again at the early December policy

meeting and may do so again early next year. But the mega firms dominating the AI space have plenty of internal cash and are generating copious revenues to tide them over.

Simply put, a bubble may or may not be forming for AI stocks – former Fed chairman Greenspan famously noted that a bubble is not recognized until it bursts – but the current situation is far different from the dot.com bubble and bust at the turn of the century. The firms that led to the market slump in 2000 had no revenues -- recall the sock puppet – and promptly tanked when exposed to the scrutiny of green shade analysts. Moreover, it wasn't the stock market collapse that ushered in the 2001 recession, as the main catalyst was the unwinding of the overzealous capital spending during the late 1990s. Indeed, despite the stock market collapse, consumers kept on spending and cushioned the economy's fall, resulting in an extremely mild 2001 recession.

Likewise, it is hard to see a hard fall on the horizon this time. The economy is running at full employment and as long as it is generating paychecks for workers, consumer spending should hold up, although elevated inflation may heighten efforts to trade down for cheaper goods. Capital spending, as noted, will provide needed support and companies have to rebuild depleted inventories, imparting a boost to production. Corporate profits are at an all-time high, and firms are financially equipped to retain workers. Even if sales slow, as we expect, next year, the labor force is shrinking thanks to an aging population and restrictive immigration policies. Hence, fewer workers need to be hired to prevent the unemployment rate from rising.



The stock market meltdown this week may put a dent in confidence and cause some affluent households to pause their outlays. But it is far too early to see serious longer-term ramifications that would upend the expansion. One positive outcome is that it should dissuade the Federal Reserve from a steeper rate hike that is virtually baked in at the upcoming policy meeting in early December. Heading into this week, growing odds for a half-percent increase were being priced into the financial markets. Those odds have since been cut in half according to the CME Group FedWatch tool; as of Friday, the odds that the Fed will hike by a quarter-percent stand at 97 percent. In addition to the market turmoil, the Fed should also be encouraged to go slow by the sharp decline in oil prices in recent weeks, which will take some pressure off of headline inflation.

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FINANCIAL INDICATORS

INTEREST RATES	November 20	Week Ago	Month Ago	Year Ago
3-month Treasury bill	4.24	4.23	4.14	3.83
6-month Treasury bill	4.42	4.45	4.32	3.77
2-year Treasury note	4.65	4.86	4.70	3.51
5-year Treasury note	4.74	4.97	4.82	3.62
10-year Treasury note	4.94	5.14	5.00	4.07
30-year Treasury bond	5.33	5.47	5.33	4.72
30-year fixed mortgage rate	7.28	7.11	7.32	6.26
15-year fixed mortgage rate	6.66	6.45	6.68	5.54
STOCK MARKET				
Dow Jones Industrial Index	48,147.33	52,347.55	52,215.16	46,245.41
S&P 500	5,910.39	7,561.70	7,623.68	6,602.99
NASDAQ	22,617.70	25,136.27	25,955.34	22,273.08
COMMODITIES				
Gold ($ per troy ounce)	3,543.30	3,883.7	4,009.1	4,060.8
Oil ($ per barrel) - Crude Futures (WTI)	84.09	89.01	103.36	57.98

ECONOMIC INDICATOR	Latest Month/Quarter	Previous Month/ Quarter	Two-Months/ Qtrs Ago	Average-Past Six Months or Quarters
Retail Sales (October) - % change	0.2	0.8	1.5	0.6
Industrial Production (October)- % change	-0.4	0.7	-0.1	0.1
Housing Starts (October) - 000s	1309	1191	1280	1295
Building Permits (October) - 000s	1295	1398	1403	1386

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